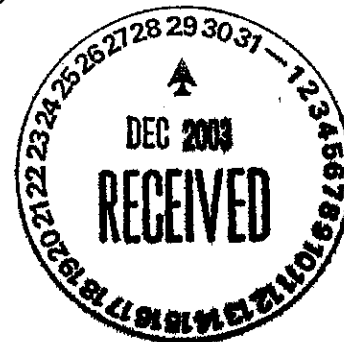


## ***Bay Area Municipal Transmission Group***

January 2, 2004

Mr. Tom Carter  
Power Operations Manager  
Sierra Nevada Region  
Western Area Power Administration  
114 Parkshore Drive  
Folsom, California 95630-4710



**Subject: BAMx Comments on Western's Federal Register Notice dated December 2nd, 2003 at page 67417 on Operational Alternative for Post-2004**

Dear Mr. Carter:

The municipal electric utilities of the Cities of Santa Clara, Palo Alto, and Alameda (collectively "Bay Area Municipal Transmission Group" or "BAMx"),<sup>1</sup> all customers of Western Area Power Administration (Western), hereby submit the following comments on Western's Proposed Decision on Operational Alternative for Post-2004 Operations as published in the Federal Register Notice (FRN), Vol. 68, No. 231, December 2, 2003, pages 67417- 67437.

In summary, the BAMx members support Western's Proposed Decision to pursue a contract-based sub-control area, and to reject the no action, PTO and MSS options. BAMx urges Western to include all Off-System Preference Power customers in the contract-based sub-control area from the start. BAMx urges Western to involve its customers – both direct and non-direct connected - in developing a contract-based sub-control area, and to initiate parallel operations prior to implementation of its new marketing plan. BAMx also urges Western in its Final Decision to state that a separate federal control area is supported by the record, and that BAMx supports Western continued efforts to achieve a WECC certifiable control area should a sub-control area prove to not meet the decision-making factors as outlined in the Proposed Decision.

Following are specific BAMx comments:

1. BAMx Supports Parallel Discussions with SMUD and the ISO for a Contract-based Sub-control Area.

BAMx supports Western undertaking parallel discussions with SMUD and the ISO for a contract-based sub-control area. Such agreement should not reference the ISO tariff and its terms and conditions should not change during the life of the agreement. Since these objectives seem inconsistent with past ISO practices, BAMx urges Western to cease such discussions with the ISO should it become apparent that such principles could not be accommodated by the ISO within a reasonable negotiation time period. BAMx recommends that Western make a final choice of its future operating mode early in 2004.

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<sup>1</sup> BAMx members are duly chartered cities under the laws of the State of California, own and operate municipal electric utility systems (Silicon Valley Power, Alameda Power & Telecom, City of Palo Alto Utilities), and purchase a substantial amount of power and energy from the Western Area Power Administration and from third party utilities.

2. Off-system Preference Customers Should be Included in the Contract-based Sub-control Area from the Start

BAMx urges Western to include all Off-system Preference customers in its contract-based sub-control area from the start. If Western were to include only First Preference, Project Use loads and direct-connected Preference Power customers in the initial operations of the contract-based sub-control area, it would be discriminatory against off-system Preference Power customers, such as BAMx. By initially excluding off-system Preference Power customers, Western would not have the benefit of integrating into the Western sub-control area behind-the-meter, non-hydro BAMx member generation. To include off-system First Preference and Project Use loads, Western will need to develop systems to schedule and account for dispersed loads that could be extended to include all Off-System Preference Power customers. If this is not feasible, BAMx urges Western to continue to treat all of its customers equitably as discussed in the Proposed Decision. That is, "off-system customers ... would be included, from an accounting standpoint, as if they were inside that sub-control area, in a similar fashion to Western dynamically scheduling to off-system participants." FRN page 67428.


3. Western Should form a Customer Support Committee, including both Direct-Connect and Non-Direct Connect Customers

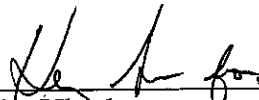
The Proposed Decision focused primarily on the alternatives it rejects, rather than on the two alternatives it is proposing to pursue. While it appears that on-the-record information and the decision-making factors discussed in the Proposed Decision would justifiably support a Western control area formation alternative, BAMx understands the reality and practicality of the Proposed Decision in concluding that it is not prudent to try to accomplish both the control area and the marketing plan at the same time. To develop the information needed to decide between the remaining alternatives, BAMx urges Western to communicate regularly with its customers as its discussions with SMUD and the ISO progress. BAMx recommends that Western establish a customer support committee, including both direct-connect and non-direct connect customers, that can be used as a sounding board for discussions on contract-based principles for a sub-control area.


BAMx appreciates the opportunity afforded by Western to provide comments on its Proposed Decision.

Sincerely,

BAY AREA MUNICIPAL TRANSMISSION GROUP (BAMx)

  
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City of Alameda

  
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